

## Message Text

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43

ACTION TRSE-00

INFO OCT-01 NEA-10 ISO-00 ABF-01 FS-01 AGR-05 FRB-03 L-03

CIAE-00 INR-07 NSAE-00 EB-07 /038 W

----- 061836

R 300540Z DEC 75

FM AMEMBASSY ISLAMABAD

TO SECSTATE WASHDC 3427

INFO AMCONSUL KARACHI

AMCONSUL LAHORE

LIMITED OFFICIAL USE ISLAMABAD 11929

E.O. 11652: N/A

TAGS: EFIN, PK

SUBJECT: INTEREST RATES ON USG DEPOSITS

REFERENCE: A. STATE 281180

B. ISLAMABAD 10090

C. KARACHI 2875 (NOTAL

1. ANSWERS TO QUESTIONS IN PARA 2 REF A ARE AS FOLLOWS:

(A) THE MAXIMUM INTEREST WHICH BANKS CAN EARN ON LOANS AND INVESTMENTS HAS NOT CHANGED SINCE MARCH 1975.

(B) WE UNDERSTAND THAT BANKS IN MOST CASES PAY THE MINIMUM INTEREST RATE ALLOWABLE ON THEIR DEPOSITS. IN SOME DEPOSIT CATEGORIES, COMPETITION HAD DRIVEN INTEREST RATES ABOVE THEIR REQUIRED MINIMUM BEFORE THE CHANGES DESCRIBED IN REF B, BUT IN GENERAL THE BANKS WILL NOW HAVE TO PAY HIGHER INTEREST RATES THAN THEY DID BEFORE OCTOBER 1. THERE HAS BEEN NO INCREASE IN THE INTEREST CEILING THEY CAN CHARGE ON LOANS. THE BANKS HAVE APPARENTLY BEEN ABLE TO COMPENSATE FOR THIS THEORETICAL SQUEEZE BY INCREASING THEIR SERVICE CHARGES. WITH SOME RS. 410 MILLION IN USG TIME DEPOSITS IN THE THREE US BANKS, THE EXTRA COST TO THE BANKS OF RAISING THE INTEREST RATE FROM FOUR AND ONE-HALF PERCENT TO FIVE PERCENT WOULD TOTAL ABOUT RS. 2 MILLION PER YEAR. WE DOUBT THIS WOULD

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REDUCE THEIR PROFITABILITY BELOW PRE-OCTOBER 1 LEVELS.

(C) EMB NONETHELESS RECOMMENDS RETAINING FOUR AND ONE-HALF PERCENT RATE ON USG DEPOSITS. THIS RATE IS ONLY ONE-HALF PERCENT BELOW THE CURRENT GOING RATE FOR SIMILAR TIME DEPOSITS. IT WAS INTRODUCED ONLY LAST MARCH, AND IN THE OVERALL SITUATION AFFECTING THE US BANKS HAS APPARENTLY NOT CHANGED MUCH SINCE THAT TIME.  
BYROADE

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NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** INTEREST RATES, INVESTMENT RETURNS, BANK DEPOSITS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 30 DEC 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** MorefiRH  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975ISLAMA11929  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
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**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D750450-0164  
**From:** ISLAMABAD  
**Handling Restrictions:** n/a  
**Image Path:**  
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**Legacy Key:** link1975/newtext/t1975125/aaaaaeaa.tel  
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**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION TRSE  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
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**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
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